

From: Robin Ishmael <rishmael@garnetcapital.com>
Sent: Friday, November 07, 2014 3:27 PM
To: 'Robert Bell'
Subject: FW: Sherman and Conns

They are still working on putting together a list of examples, but the email below explains what is going on.

From: Faliero, Bryan [mailto:bfaliero@sfg.com]
Sent: Friday, November 07, 2014 1:33 PM
To: Robin Ishmael; Lou Dipalma
Cc: Faliero, Bryan; Mazzoli, Jon; Ziegler, Erin
Subject: Sherman and Conns

Robin and Lou:

As I believe you are aware, we have significant experience with sub-prime borrowers. As owner of Credit One Bank a (below prime issuing bank) and heavy purchaser of sub-prime accounts, not just credit cards but across multiple industry verticals including consumer loans, we have a strong understanding of issues that come up with this consumer segment.

However, we are having material issues with the Conns accounts above and beyond what is typical. These issues will result in substantial putbacks due to debtor claims under section 6.1(f) (returned merchandise not credited, Conn's warranties not honored, and faulty products, etc.). In addition, there are some broken reps in the agreement that seem like they are likely to lead to substantial problems down the road, whether through indemnification claims or breach of contract claims. We are still learning what we have here, but it seems like we have a problem with sections 8.5 (prior compliance), 8.6 (valid enforceable accounts), and section 8.7 (accurate data tape). The rate of debtor complaints on these accounts is very high right now.

Given the issues around prior compliance, origination, and returns/balances, this is more important than expected (many debtors claim they were unaware of the insurance). Right now, we do not feel comfortable with the Balances.

Account Issues:

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In addition to normal debtor complaints – We are experiencing unusually high volumes of customer disputes – claiming account paid prior, balances not reflective of returned merchandise, fraud, faulty merchandise, exchanges for other merchandise with remaining balance waived, etc. We have really only scratched the surface through right party contact but as a percent of our contacts the disputes are through the roof. We can compile a couple of hundred account level examples if needed.

This is a pretty urgent matter right now. We do not feel like we can fund any more take downs.

Additionally, I think it is in all three parties interest to unwind these sales with a 100% putback.

The slow or missing media is an issue too but takes a back seat priority to the Account Issues.

Media Issues:

First Take-Down Bulk – 22,816 Accounts

- * No product description 7,115 accounts (31.2%)
- * No sales memo receipt 14,759 accounts (64.7%)
- * All Media on 8,056 – 35.3% of accounts

First Flow – 5,204 Accounts

- * No product description 1,412 accounts (27.1%)
- * No sales memo receipt 1,937 accounts (37.2%)
- * No pay histories 3,628 accounts (69.7%)
- * All Media on 992 – 19.1% of accounts

Please notify Conn's of these issues and lets discuss proper remedy.

Thanks,

Bryan

Bryan Faliero

Director

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